

Financial *Status Report*

January 31, 2022

This report summarizes the City of Carlsbad's General Fund revenues and expenditures through January 31, 2022. It compares revenues and expenditures for the first seven months of fiscal year 2021-22 and fiscal year 2020-21. In addition, the financial status of the Water and Wastewater Enterprises are included. This report is for internal use only. The figures presented here are unaudited and have not been prepared in accordance with Generally Accepted Accounting Principles.

General Fund Revenues



Property Taxes (\$44.1 million) – The majority of property tax revenue is collected in December and April each year. According to the County of San Diego Assessor's Office, assessed values in Carlsbad have increased by 3.14% for fiscal year 2021-22. This is the ninth year in a row that Carlsbad's assessed values have increased from year to year, and in line with assessed value increases with other cities in San Diego County for the year. This reflects continued strength in the regional housing market. The increase in this year's assessed values is due to a large increase in the assessed values of residential properties in the city; the city saw smaller increases in commercial and industrial property values for the year. This is the seventh year in a row since the Great Recession ended that the city saw increases in assessed values in all three property components (residential, commercial and industrial).

The property taxes for the first seven months of the fiscal year have increased by 3% as compared to the prior fiscal year. The primary reasons for the increase are:

- Current taxes are up by \$1.3 million or 3.9% due to increased assessed values
- Supplemental and surplus property taxes are \$355,000 higher when compared with the prior year

These increases are offset slightly by the following decrease:

- Aircraft taxes are down by \$333,000 or 20% due to a decrease in aircraft being housed at the airport



Sales Taxes (\$29.7 million) – For the first seven months of the new fiscal year, sales tax revenues are \$6.8 million higher than the same period in the previous fiscal year. Sales tax revenues for the year represent the city's fourth calendar quarter of 2021, the second and third calendar quarter of 2021 sales tax revenues, a portion of the city's first calendar quarter of 2021 sales tax revenues, and a portion of the city's 2020 fourth calendar quarter sales tax revenues.

In the prior fiscal year, the city saw the impacts the COVID-19 pandemic including the shelter-in-place orders, which essentially shut down all non-essential businesses, and where small businesses in the State of California were allowed to defer sales tax payments.

For sales occurring in the third calendar quarter of 2021 (the most recent data available), key gains were seen in amusement parks, motor vehicle manufacturing, gasoline stations, general merchandise stores, and traveler accommodations. During the same period, key declines were seen in automobile dealers, building material and supplies dealers, sporting goods, hobby and musical instrument stores, support activities for air transportation, and electric power generation. The largest economic segments in the city are automobile dealers, general

merchandise stores, restaurants, clothing stores, gasoline stations, and jewelry, luggage and leather goods stores. Together, they generate 66% of the city's sales tax revenues.



Transient Occupancy Tax (\$18.7 million) – The city's third highest General Fund revenue source on an annual basis is Transient Occupancy Tax (TOT or hotel tax), estimated at \$18.4 million for the current fiscal year. A tax of 10% of the rent amount is collected on all occupancies less than 30 days (transient) in duration. Year-to-date TOT figures represent taxes collected on hotel receipts through the month of December 2021. TOT collected for the first seven months of the fiscal year reflects an increase of \$11.4 million, **159%** more than the previous year. Due to the reopening of the economy in June 2021 after a prolonged COVID-19 pandemic related tier system, all local hotels are now open; a stark contrast to the prior fiscal year where many hotels were partially or fully closed, including three of the largest hotels – the Omni La Costa, the Park Hyatt Aviara, and the LEGOLAND Hotels.

Currently, there are 4,778 hotel rooms in service (of 5,059 total rooms built in the city), 668 timeshares and 332 registered short-term vacation rentals. The average occupancy of hotel rooms over the most recent 12 months has been 60% which is up from 48% at this time last year.



Business License Tax (\$3.7 million) – All entities doing business in the City of Carlsbad are required to have a valid business license. Business license revenue is estimated at \$5.8 million for the current fiscal year. Business license revenues are up \$603,000, or 19% higher, than the previous fiscal year. The increase is due to significant payments received for overdue business license renewals and penalties, as well as a small increase in new business licenses.

There are currently 9,534 licensed businesses operating within the city, 126 more than the prior year. The majority of taxed businesses (6,389 businesses) are located in Carlsbad, with 2,4657 of these businesses home-based.



Interdepartmental Charges (\$3.0 million) – Interdepartmental charges are up by \$66,000 when compared with the same period last year. These charges are generated through engineering services charged to capital projects (down \$64,000 due to less staff charging to capital projects); reimbursed work from other funds (down \$5,000 charged to date); and miscellaneous interdepartmental expenses charged to funds outside the General Fund for services performed by departments within the General Fund (up 6%, or \$134,000), the result of increased personnel, and maintenance and operations costs.



Income from Investments and Property (\$3.0 million) – For the first seven months of the fiscal year, income from investments and property is up \$250,000 compared to the previous fiscal year.

Interest income is down \$337,000 for the year due to the combination of a 20.3% decrease in the average yield on the portfolio for the year (a decrease in the yield from 1.431% last fiscal year to 1.141% in the current fiscal year) and a 7.4% increase in the monthly average cash balance. The Federal Reserve has maintained an effective benchmark rate between 0 and 0.25% since March 2020. The city has since seen many of its higher rate bonds and notes being called, causing the city to have to invest in lower yield securities. This has and will continue to drive the yield on the portfolio lower.

Income from property sales and rentals is up by \$587,000 for the year, or 53% as compared to the prior fiscal year, primarily due to significant increases in facilities and pool lane rentals as the prior year was severely impacted by the COVID-19 pandemic and increased cell site lease revenues.



Recreation Fees (\$1.5 million) – Recreation fees are generated through instructional classes, camps, youth and adult sports, special events, parent participation preschool, senior programs, and various aquatic programs. Recreation revenues are up by \$683,000 compared to last year at this time. This large increase is due to the reopening of programs as compared to the prior fiscal year when there were cancellations across all programs due to COVID-19 restrictions.



Development Related Revenues (\$2.3 million) – Development related revenues, which include building permits, planning fees, building department fees, and engineering fees, reflect a 37% increase for the first seven months of the fiscal year.

Development related fees are paid by developers to cover a portion of the cost of reviewing and monitoring development activities, such as plan checks and inspections. Engineering plan check fees are one of the first fees paid during the initial stages of development. Some of the activity in the seventh month of the fiscal year included permits associated with: residential second dwelling units and various minor home improvement permits.

One source of development related revenue is building permits, which are up 2% compared to last fiscal year. The year-to-date valuation of new construction in the current fiscal year is \$85.5 million, while it was \$130.4 million in the previous fiscal year, a 34% decrease.

In January Carlsbad issued building permits for 14 residential dwelling units (12 in the northwest quadrant, one in the northeast and one in the southeast). Nine of these were for second dwelling units, four were condominiums and one was a single family detached home. For the current fiscal year, 58 residential permits have been issued, as compared to 160 residential permits issued during the same period last year. During the month of January, no permits were issued for commercial and/or industrial space permits which is the same when compared to this period last year. For the current fiscal year, 12,700 square feet of commercial and/or industrial permits have been issued, as compared to 206,000 square feet for permits issued during the same period last year.

While development activity fiscal year to date is lower than last fiscal year at this same period, revenues are slightly higher due to a change in the fee structure for building permits that was approved with a fee study in 2021. Permit fees that were previously calculated based on project valuation are now calculated using square footage. Other development related service fees were also included in the fee study and some fees were increased as a result of the study. These fee changes became effective in September 2021.



Franchise Tax (\$1.9 million) – Franchise taxes are generated from public utility sources, such as San Diego Gas & Electric (SDG&E), trash collection franchises, and cable franchises conducting business within city limits. Franchise tax revenue is estimated at \$5.7 million for the current fiscal year. Year-to-date franchise taxes are \$9,400 lower than the same period last year.

Cable television franchise revenues (Spectrum and AT&T) are down by \$36,000 due to a decrease in the number of paid subscription services (premium video, equipment rental, on-demand, and programming services). An increase in trash collection revenue of \$28,000 is due to an increase in trash rates combined with additional trash customers.

Approximately 47% of the total franchise tax revenue anticipated for the year will be collected from SDG&E in April 2022.



Ambulance Fees (\$1.7 million) – The city bills any individual who is transported in one of the city’s ambulances. Through January 2022, receipts from ambulance fees are up \$186,000, or 12%, compared to last fiscal year. The increase in revenue for the first seven months of the fiscal year is mainly caused by an increase in the number of billable transports, 3,269 in the first seven months of fiscal year 2021-22 versus 3,111 in the prior fiscal year.



Other Revenue Sources (\$797,000) – Other revenue sources have decreased by \$213,000 and include revenues received by the city to offset the costs of special studies or projects for developers; reimbursements for damage done to city streets, rights-of-way, and other city-owned property; donations; reimbursement from the Gas Tax Fund for traffic signal maintenance; and miscellaneous reimbursed expenses and refunds of prior year fees. The decrease to date is

primarily driven by lower receipts this fiscal year as the City of Oceanside took over as the lead agency on the joint city Innovate 78 contract.



Other Licenses and Permits (\$668,000) – Other licenses and permits consist of fire protection services, right-of-way, lagoon, grading, hazardous uses, and other miscellaneous permit revenues. These permits usually increase/decrease along with increases/decreases in development activity. Other licenses and permit revenues can vary throughout the year. The increase to date of \$65,000 is primarily a result of increased activity in coastal development permits, Habitat

Management Plan permits and hazardous uses permits, offset by a decrease in right of way permits and lagoon permits.

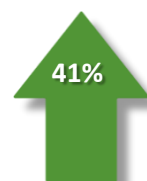


Fines and Forfeitures (\$212,000) – Fines and forfeitures represent fees collected for code violations, parking citations, overdue fines, and returned checks. The city recognizes revenues when the citizen pays the fine or forfeiture, as opposed to when the fine is imposed. The decrease to date of \$23,000 is mostly due to increases in parking citation revenues and overdue fines, offset by a decrease in code violation revenue.



Intergovernmental Revenues (\$835,000) – Intergovernmental revenues include homeowners property tax exemption revenue and miscellaneous receipts received from the state or federal governments, as well as local school districts. Various miscellaneous receipts comprise the \$835,000 received this year. Some larger receipts include senior nutrition program revenues, \$201,000 reimbursement from the school district for their share of the school resource

officers, \$78,000 received from the state for mandated cost reimbursements, and \$55,000 for a federal grant provided to the Police Department. In the prior year, the city received Coronavirus Aid, Relief and Economic Security Act or CARES Act funding as well as a homeless grant which did not recur in the current fiscal year.



Transfer Taxes (\$1.3 million) – When real property is sold, the County Assessor’s Office charges a transfer tax. The transfer tax rate in San Diego County is \$0.0011 multiplied by the selling price of the property. The city receives 50% of the transfer tax charged for sales within the City of Carlsbad. Revenues have increased due to an increase in property transfers.



Other Charges or Fees (\$528,000) – Other charges or fees are generated through the sale of city documents, such as staff reports, blueprints and copies; general fees collected for false alarms, easements and agreements, weed abatement and kiosk signs; audio/visual rental fees; and general services, such as mutual aid response, mall police services, emergency response services, reports, etc. These fees are up by \$330,000 or 167% mainly due to the addition of an annual fire inspection fee (\$209,000) and timing of mutual aid response payments (\$120,000), and mall police services (\$15,000).

A detailed schedule of General Fund revenues is provided on the following page.

**GENERAL FUND
REVENUE COMPARISON**

	REVENUE BUDGETED FOR FY 2021-22	REVENUE EXPECTED THROUGH 01/31/22	ACTUAL FY 2021 AS OF 01/31/21	ACTUAL FY 2022 AS OF 01/31/22	CHANGE FROM YTD 2021 TO YTD 2022	PERCENT CHANGE
TAXES						
PROPERTY TAX	\$76,590,000	\$42,653,989	\$42,783,490	\$44,110,701	\$1,327,211	3%
SALES TAX	44,015,000	24,711,501	22,862,684	29,684,846	6,822,162	30%
TRANSIENT OCCUPANCY TAX	18,441,000	8,522,983	7,202,403	18,694,474	11,492,071	160%
FRANCHISE TAX	5,666,000	1,874,082	1,914,427	1,905,012	(9,415)	0%
BUSINESS LICENSE TAX	5,817,000	3,159,600	3,102,026	3,705,096	603,070	19%
TRANSFER TAX	1,285,000	655,931	911,757	1,285,919	374,162	41%
TOTAL TAXES	151,814,000	81,578,086	78,776,787	99,386,048	20,609,261	26%
INTERGOVERNMENTAL						
VEHICLE LICENSE FEES	50,000	0	0	133,433	133,433	100%
HOMEOWNERS EXEMPTIONS	350,000	174,999	173,248	169,133	(4,115)	-2%
OTHER REIMBURSEMENT	7,678,763	1,608,275	2,004,820	532,509	(1,472,311)	-73%
TOTAL INTERGOVERNMENTAL	8,078,763	1,783,274	2,178,068	835,075	(1,342,993)	-62%
LICENSES AND PERMITS						
BUILDING PERMITS	521,000	311,717	820,263	838,915	18,652	2%
OTHER LICENSES & PERMITS	944,000	543,490	603,301	667,829	64,528	11%
TOTAL LICENSES & PERMITS	1,465,000	855,207	1,423,564	1,506,744	83,180	6%
CHARGES FOR SERVICES						
PLANNING FEES	274,000	130,866	174,752	415,000	240,248	137%
BUILDING DEPARTMENT FEES	617,000	345,453	454,337	452,815	(1,522)	0%
ENGINEERING FEES	441,000	225,969	244,624	611,767	367,143	150%
AMBULANCE FEES	2,584,000	1,406,663	1,514,149	1,699,804	185,655	12%
RECREATION FEES	1,760,000	933,934	851,396	1,533,999	682,603	80%
OTHER CHARGES OR FEES	550,000	74,103	197,494	527,730	330,236	167%
TOTAL CHARGES FOR SERVICES	6,226,000	3,116,988	3,436,752	5,241,115	1,804,363	53%
FINES AND FORFEITURES	406,000	225,057	234,690	212,049	(22,641)	-10%
INCOME FROM INVESTMENTS & PROPERTY	4,879,925	1,762,535	2,792,053	3,042,114	250,061	9%
INTERDEPARTMENTAL CHARGES	5,181,349	3,000,957	2,984,274	3,049,847	65,573	2%
OTHER REVENUE SOURCES	964,429	528,326	1,010,069	796,728	(213,341)	-21%
TRANSFERS IN	10,000	10,000	10,000	10,000	0	0%
TOTAL GENERAL FUND	\$179,025,466	\$92,860,430	\$92,846,257	\$114,079,720	\$21,233,463	23%

(1)

(1) Calculated General Fund revenues are 23% above estimates as of Jan. 31, 2022.

Expenditures

Total General Fund expenditures and encumbrances through the month of January 2022 are \$137.6 million, compared to \$105.2 million at the same time last year. The significant increase is largely due to an increase in transfers, particularly the \$10.7 million related to the new Technology Investment Program in support of the Strategic Digital Transformation Investment Program, a \$7.8 million transfer to the General Capital Construction Fund from prior fiscal year 2020-21 General Fund surplus, and a \$5.5 million additional discretionary payment to CalPERS. The remaining budget available through the fiscal year ending June 30, 2022 is \$85.0 million, or 38.2%. If funds were spent in the same proportion as the previous year, the General Fund would have 45.3% or \$87.2 million available.

Excluding the transfers out, contingencies, and non-departmental charges, the percentage available at January 31, 2022 is 40.5%, slightly less than the 41.2% available at January 31, 2021.

The adopted General Fund budget for fiscal year 2021-22 increased by 12.8% or \$20.9 million due to:

- Increased personnel costs (increase of \$11.3 million):
 - \$6.1 million in additional salary costs associated with 23.5 new full-time positions, 20 of which are directly related to City Council goals, 6.2 new part-time positions and previously negotiated and anticipated wage increases
 - \$2.3 million in health insurance and retirement benefits costs
 - \$2.9 million increase in other personnel costs (Medicare, unemployment and disability benefits)
- Increased maintenance and operations costs (increase of \$9.6 million):
 - Implementation of the City Council's goals
 - Reinstatement of services after many programs were stalled or halted due to COVID-19 restrictions
 - Increased legal services costs
- Decreased City Council contingency from \$1.5 million to \$500,000

A detailed schedule of General Fund expenditures is provided on the following page.

**GENERAL FUND
EXPENDITURE STATUS BY DEPARTMENT**

DEPARTMENT DESCRIPTION	ADOPTED	WORKING	AS OF 01/31/22		
	BUDGET FY 2021-22	BUDGET FY 2021-22 (a)	AMOUNT COMMITTED (b)	AVAILABLE BALANCE	% AVAILABLE (c)
POLICY AND LEADERSHIP GROUP					
CITY ATTORNEY	\$2,037,136	\$2,169,185	\$1,267,154	\$902,031	41.6%
CITY CLERK SERVICES	1,300,469	1,436,264	776,047	660,217	46.0%
CITY COUNCIL	649,975	667,690	320,375	347,315	52.0%
CITY MANAGER	2,112,097	2,370,197	1,253,765	1,116,432	47.1%
CITY TREASURER	250,752	258,589	172,851	85,738	33.2%
COMMUNICATIONS & ENGAGEMENT	1,771,173	2,479,665	1,794,328	685,337	27.6%
TOTAL POLICY AND LEADERSHIP GROUP	8,121,602	9,381,590	5,584,520	3,797,070	40.5%
ADMINISTRATIVE SERVICES					
ADMINISTRATION	568,883	714,415	395,780	318,635	44.6%
FINANCE	5,632,387	6,335,681	3,631,808	2,703,873	42.7%
HUMAN RESOURCES	4,959,011	5,461,482	3,233,582	2,227,900	40.8%
INNOVATION & ECONOMIC DEVELOPMENT	1,264,626	1,480,933	842,051	638,882	43.1%
TOTAL ADMINISTRATIVE SERVICES	12,424,907	13,992,511	8,103,221	5,889,290	42.1%
PUBLIC SAFETY					
POLICE	48,756,017	52,851,249	32,230,708	20,620,541	39.0%
FIRE	33,521,412	35,274,422	21,592,440	13,681,982	38.8%
TOTAL PUBLIC SAFETY	82,277,429	88,125,671	53,823,148	34,302,523	38.9%
COMMUNITY SERVICES					
COMMUNITY SERVICES ADMINISTRATION	656,221	862,511	553,638	308,873	35.8%
COMMUNITY DEVELOPMENT	10,502,061	12,592,920	7,288,752	5,304,168	42.1%
HOUSING & HOMELESS SERVICES	5,901,431	6,087,311	1,773,188	4,314,123	70.9%
LIBRARY & CULTURAL ARTS	13,780,555	14,581,524	7,650,650	6,930,874	47.5%
PARKS & RECREATION	19,159,380	20,965,518	14,134,549	6,830,969	32.6%
TOTAL COMMUNITY SERVICES	49,999,648	55,089,784	31,400,777	23,689,007	43.0%
PUBLIC WORKS					
PUBLIC WORKS ADMINISTRATION	1,941,613	2,171,541	1,171,725	999,816	46.0%
CONSTRUCTION MANAGEMENT & INSPECTIOI	2,990,665	3,285,409	1,949,608	1,335,801	40.7%
ENVIRONMENTAL MANAGEMENT	1,282,225	1,719,435	1,159,686	559,749	32.6%
FACILITIES	6,555,934	8,744,326	5,335,459	3,408,867	39.0%
TRANSPORTATION	8,405,466	9,113,411	5,452,617	3,660,794	40.2%
TOTAL PUBLIC WORKS	21,175,903	25,034,122	15,069,095	9,965,027	39.8%
NON-DEPARTMENTAL & CONTINGENCY					
(d) OTHER NON-DEPARTMENTAL	2,922,000	3,845,896	928,997	2,916,899	75.8%
OPERATING TRANSFERS OUT	7,148,000	26,777,804	22,720,056	4,057,748	15.2%
CONTINGENCY	500,000	354,910	0	354,910	100.0%
TOTAL NON-DEPT & CONTINGENCY	10,570,000	30,978,610	23,649,053	7,329,557	23.7%
TOTAL GENERAL FUND	\$184,569,489	\$222,602,288	\$137,629,814	\$84,972,474	38.2%

(a) Working budget includes the adopted budget, open encumbrances from the end of the prior fiscal year, and any approved carry forward

(b) Actual expenditures on a budgetary basis include encumbrances and exclude non-budgeted items.

(c) Amount available would be 45.3% if funds were spent in the same proportion as the previous year.

(d) Other non-departmental includes property tax administration fees, assessment district administration, citywide litigation expenses, and other items not attributed to a specific department.

Council Contingency

The City Council has allocated \$500,000 out of the General Fund budget for unanticipated emergencies or unforeseen program needs. Below is a listing of the City Council's contingency:

CONTINGENCY ACCOUNT USE OF FUNDS

EXPLANATION	AMOUNT	DATE	RESOLUTION NUMBER
ADOPTED BUDGET	\$500,000		
USES:			
For the cost of producing and installing no parking signs on Avenida Encinas	(17,100)	7/20/2021	2021-174
To shelter pets belonging to people experiencing homelessness	(29,825)	9/28/2021	2021-219
Community spirit grant for Carlsbad High School	(996)	10/20/2021	NA - See Note 1
TOTAL USES	<u>(47,921)</u>		
AVAILABLE BALANCE	<u>\$452,079</u>		

Note 1 - City Council Policy 51 gives authorization to the City Manager to approve Community Spirit Grants less than \$5,000.

Donations

Carlsbad Municipal Code 2.08.100 authorizes the city manager to accept donations on behalf of the city in an amount or of value of up to \$5,000 per donation. These donations shall be used in accordance with the donor's intent or added to the city's contingency account. Below is a listing of all donations, excluding minor food donations such as donuts, that have been accepted during fiscal year 2021-22:

Donations Fiscal Year 2021-22

Department	Intention	Qtr. 1	Qtr. 2	Jan.	Total
Parks & Recreation	Congregate Meals/Guest Cash Donations	\$3,611	\$2,513	\$687	\$6,811
Parks & Recreation	Home Meals Cash Donations	3,932	3,338	717	7,987
Parks & Recreation	Senior Transportation Cash Donations	0	5	20	25
Parks & Recreation	Leo Carrillo Ranch Cash Donations	835	2,418	440	3,693
Parks & Recreation	Opportunity Grant Donations	2,966	2,258	700	5,924
Parks & Recreation	Senior Center Cash Donations	399	1,380	39	1,818
Parks & Recreation	Teens Program Cash Donations	0	1	3	4
Parks & Recreation	Parks Maintenance Cash Donations	825	0	0	825
Subtotal - Parks & Recreation		\$12,567	\$11,913	\$2,606	\$27,086
Library & Cultural Arts	Book purchases	\$135	\$275	\$50	\$460
Library & Cultural Arts	Support Library Programs and Services	15	2,600	1,172	3,787
Subtotal - Library & Cultural Arts		\$150	\$2,875	\$1,222	\$4,247
Fire	Food and small gifts for crews	\$0	\$2,320	\$0	\$2,320
Fire	Sunglasses for lifeguard program	0	400	0	400
Fire	Toys for sick or scared children	350	0	0	350
Subtotal - Fire		\$350	\$2,720	\$0	\$3,070
Total Donations		\$13,067	\$17,508	\$3,828	\$34,403

Water Enterprise

WATER OPERATIONS FUND					
Jan. 31, 2022					
	BUDGET FY 2021-22	YTD (*) 01/31/2021	YTD (*) 01/31/2022	CHANGE FROM YTD 2020-21 TO YTD 2021-22	PERCENT CHANGE
REVENUES:					
WATER DELIVERY	\$ 40,583,097	\$ 25,314,677	\$ 24,597,132	\$ (717,545)	-2.8%
INTEREST	374,897	253,703	198,452	(55,251)	-21.8%
MISC. SERVICE CHARGES	281,081	186,328	169,131	(17,197)	-9.2%
PROPERTY TAXES	3,687,900	2,497,059	2,602,162	105,103	4.2%
FINES, FORFEITURES & PENALTIES	104,651	3,165	35,988	32,823	1037.1%
OTHER REVENUES	434,829	259,274	1,575,011	1,315,737	507.5%
TOTAL OPERATING REVENUE	45,466,455	28,514,206	29,177,876	663,670	2.3%
EXPENSES:					
STAFFING	4,347,140	2,193,239	2,445,945	252,706	11.5%
INTERDEPARTMENTAL SERVICES	2,969,197	1,584,812	1,717,357	132,545	8.4%
PURCHASED WATER	26,700,000	14,582,055	14,708,005	125,950	0.9%
MWD/CWA FIXED CHARGES	6,860,000	3,912,045	3,909,477	(2,568)	-0.1%
OUTSIDE SERVICES/MAINTENANCE	2,603,249	526,175	502,448	(23,727)	-4.5%
DEPRECIATION/REPLACEMENT	4,500,000	2,450,000	2,625,000	175,000	7.1%
MISCELLANEOUS EXPENSES	992,104	401,061	395,381	(5,680)	-1.4%
CAPITAL OUTLAY	0	413,198	0	(413,198)	-100.0%
TOTAL OPERATING EXPENSES	48,971,690	26,062,585	26,303,613	241,028	0.9%
OPERATING INCOME/(LOSS)	\$ (3,505,235)	\$ 2,451,621	\$ 2,874,263	\$ 422,642	17.2%
(*) Adjusted to reflect timing differences for water purchases and depreciation.					

Revenues



- A 5% decrease in water volume sales led to lower water delivery revenues, offset by a 2% increase in water rates (beginning in January 2021).
- Interest earnings have decreased year-over-year due to a 20.3% decrease in the yield of the Treasurer's portfolio offset partially by a 6.3% increase in the average cash balance.
- The increase in property taxes is primarily due to increase in assessed property values
- The increase in other revenues was due to a \$1.4 million refund for the Carlsbad Municipal Water District's share of damages awarded for rates that were unlawfully assessed to the city between 2011 and 2014.

Expenses



- The increase in staffing expenses includes an annual required contribution to the city's unfunded pension liability balance with CalPERS and salary increases, offset by vacancies experienced thus far in the fiscal year.
- Higher interdepartmental expenses resulted from increased personnel related costs, and maintenance and operations costs for shared services.
- Purchased water expenses have increased from the prior year due to a 4.2% rate increase in the variable cost of water purchased from the San Diego County Water Authority (SDCWA) mostly offset by a decrease in the amount of water purchased.
- The largest factors driving the decrease in outside services and maintenance are services for software, pipeline maintenance and water sampling services, offset by higher asphalt repairs.
- The largest factors driving the decrease in misc. expenses are purchases of chemicals.
- A decrease in capital outlay was from fiscal year 2020-21 purchase of industrial vacuum truck.

Wastewater Enterprise

WASTEWATER OPERATIONS FUND					
Jan. 31, 2022					
	BUDGET	YTD*	YTD*	CHANGE FROM	PERCENT
	FY 2021-22	01/31/2021	01/31/2022	YTD 2020-21 TO YTD 2021-22	CHANGE
REVENUES:					
CHARGES FOR CURRENT SERVICES	13,773,859	8,033,083	8,934,047	900,964	11.2%
INTEREST	75,000	76,202	56,459	(19,743)	-25.9%
OTHER REVENUES	115,002	223,829	77,149	(146,680)	-65.5%
TOTAL OPERATING REVENUE	13,963,861	8,333,114	9,067,655	734,541	8.8%
EXPENSES:					
STAFFING	2,891,648	1,312,030	1,550,759	238,729	18.2%
INTERDEPARTMENTAL SERVICES	1,357,384	811,292	784,660	(26,632)	-3.3%
ENCINA PLANT SERVICES	4,665,000	3,328,789	3,700,508	371,719	11.2%
OUTSIDE SERVICES/MAINTENANCE	1,359,394	242,682	184,870	(57,812)	-23.8%
DEPRECIATION/REPLACEMENT	5,300,000	2,916,667	3,091,667	175,000	6.0%
MISCELLANEOUS EXPENSES	776,802	320,348	321,388	1,040	0.3%
CAPITAL OUTLAY	35,135	0	35,032	35,032	100.0%
TOTAL OPERATING EXPENSES	16,385,363	8,931,808	9,668,884	737,076	8.3%
OPERATING INCOME/LOSS	(2,421,502)	(598,694)	(601,229)	(2,535)	0.4%
(*) Adjusted to reflect timing differences for Encina quarterly invoices and depreciation.					

Revenues



- Charges for current services are higher than in the prior year due primarily to a 3% rate increase that began in January 2021 coupled with development throughout the city. Commercial customer water usage is also higher in the current year because commercial/industrial wastewater rates in Carlsbad are based on water usage, and commercial customers had significantly decreased during the peak of the COVID-19 pandemic related shutdown.
- Interest earnings decreased due to a 20.3% decrease in the yield of the Treasurer's portfolio offset partially by a 3.8% increase in the monthly average cash balance.
- The decrease in other revenues is due to a nonrecurring reimbursement from the City of Oceanside for a wastewater bypass 2020 storm events.

Expenses



- The increase in staffing expenses is mostly from an increase in the annual required contribution to the city's unfunded pension liability balance with CalPERS.
- Encina plant services to date are a combination of actuals and an estimate of the annual Encina expense prorated monthly.
- The decrease in outside services is primarily due to timing of pipeline maintenance.
- The capital outlay in fiscal year 2021-22 was for the procurement of a utility truck.